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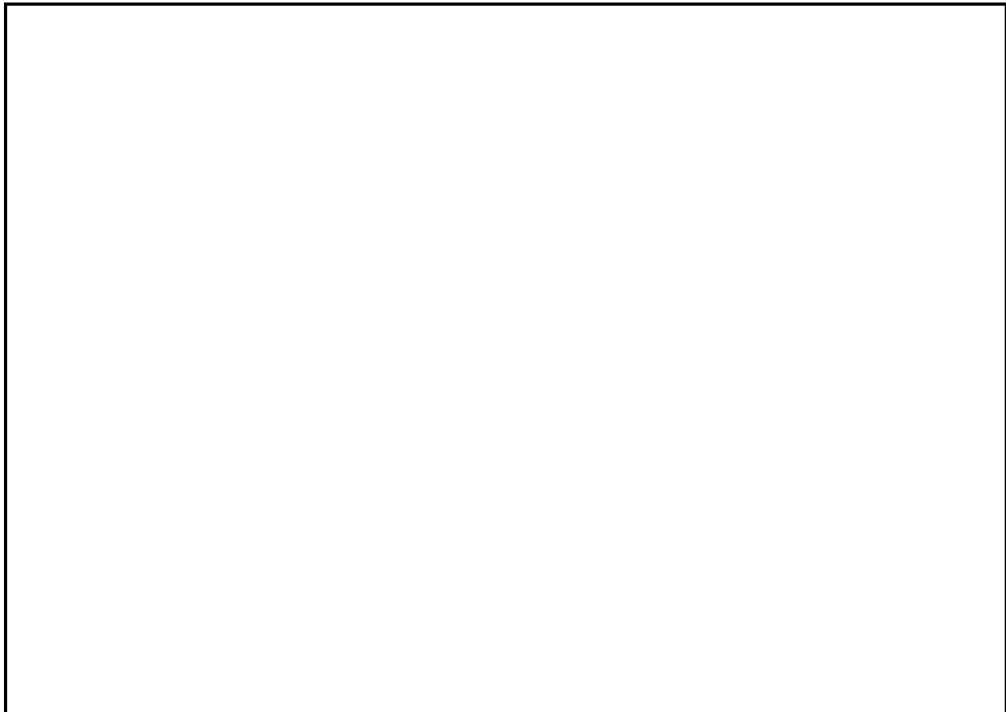
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**2. FRENCH FOREIGN MINISTRY SEES MILITARY ADVANTAGE  
IN DRAGGING OUT SUEZ CONFERENCE**

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[Redacted]

Secretary General Louis Joxe of the French Foreign Ministry believes the conference in London concerning Suez will be difficult and might be prolonged over several weeks. He told Ambassador Dillon on 13 August that this might be advantageous, particularly in that more time would be available for military preparations.

Dillon says Joxe was "embarrassed" by the influential Paris newspaper Le Monde's strong opposition to military action against Egypt. On the other hand, Joxe stated that there had been "much too much" talk of military action in both Britain and France.

**Comment**

Although the Le Monde article and other French editorial comments indicate a growing opinion that military action is now more remote and difficult, the French government still believes that some strong action must be taken against Egypt. Therefore, France will probably continue its military preparations as part of its effort to bring pressure on Nasr to abandon his opposition to any form of international control.

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25X1A 4. DEVELOPING BACKLOG OF SHIPPING AT PORT SAID

A backlog of vessels is now accumulating at Port Said, the northern entry to the Suez Canal, apparently as a result of a rush on the part of shippers to get through the canal before 16 August. There seems to be some feeling in shipping circles that as a result of action springing out of the London conference the canal may be closed. The situation is further aggravated by the fact that several pilots--of

which there is normally a shortage--are on vacation.

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Nasr's intention is to keep the canal operating at peak efficiency in order to establish Egypt's ability to run the canal. Unless large numbers of pilots resign, Nasr will probably be able to maintain an average flow of traffic. France is reported to be considering withdrawal of canal company technicians, most of whom have signed statements of allegiance to the company.

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## 5. CAMBODIAN POLITICAL SITUATION

Prince Sihanouk, who is returning to Cambodia from Europe on 20 August, will have to deal with serious political difficulties. His followers, in and out of the National Assembly, are increasingly torn by factional dissension.

In insisting on dominating political affairs while refusing to take the premiership himself, Sihanouk is alienating the experienced and capable leaders needed to assume government portfolios. According to a Cambodian official highly regarded by the American embassy, it is difficult to foresee any government of strength and ability in the near future. For the present, ex-premier Khim Tit continues in a caretaker role. He has embarked on an anti-American campaign, apparently in an attempt to deflect the charges of corruption that led to his resignation.

Meanwhile, responsible elements fear that Sihanouk has been thoroughly blinded by the Communists and fully accepts their assurances of good intent. The mass of Cambodians undoubtedly are greatly impressed with his well-publicized "triumphs" in the Communist capitals, and Sihanouk will remain to them a symbol of their country's emergence as an independent nation.

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## 6. INDONESIAN-SOVIET ECONOMIC RELATIONS

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Indonesian-Soviet talks on the USSR's offer of economic and technical aid are now taking place in Djakarta, and the chief Indonesian negotiator believes an agreement may be signed in a few days. He said the Indonesians are letting the Russians take the initiative, and that so far the only clue to Soviet thinking is mention of the steel mill which the USSR is building for India. The Indonesian Foreign Ministry has stated previously that it would prefer not to sign the assistance agreement until after President Sukarno completes his trip to the Soviet Union scheduled for late August and early September.

Meanwhile, Indonesia's first trade agreement with the Soviet Union was signed on 12 August. It provides for cash payments and does not establish any value figure for total trade. Indonesian products listed in the trade agreement include rubber, copra, and sugar. The Soviet list includes machinery, chemical products, and medicines.

Indonesia's trade with the Sino-Soviet bloc amounted to five percent of its total trade in 1955. The American ambassador in Djakarta expects that the volume of trade between the two countries will continue to be comparatively small.

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